

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 /011 R

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DRAFTED BY ARA/CEN/G:DCLARE:RMC
APPROVED BY ARA/CEN: LOWELL KILDAY

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R 151809Z MAY 75

FM SECSTATE WASHDC
TO USCINCSO

C O N F I D E N T I A L STATE 111837

FOLLOWING REPEAT STATE 111837 SENT ACTION GUATEMALA DTD 14 MAY

QUOTE:

C O N F I D E N T I A L STATE 111837

E.O. 11652: GDS
TAGS: PFOR, GT, US

SUBJECT: GUATEMALAN CASP: PRE-IG REVIEW

1. PRE-IG MET MAY 8 TO CONSIDER GUATEMALAN CASP. REVIEW
UNCOVERED NO ISSUES REQUIRING RESOLUTION AT FORMAL IG MEET-
ING. ACCORDINGLY PRE-IG WILL FORWARD DRAFT DECISION
MEMORANDUM TO IG MEMBERS FOR APPROVAL.

2. PRE-IG ENDORSED, WITH DOD NON-CONCURRENCE, SECURITY
ASSISTANCE PLANNING FIGURES. DECISION MEMORANDUM WILL
STATE IG POSITION AND DOD NON-CONCURRENCE, AND REFER ISSUE
TO SAPRC (SECURITY ASSISTANCE PROGRAM REVIEW COMMITTEE)
FOR RESOLUTION. THIS PROCEDURE RECOGNIZES WHAT HAS BEEN
DE FACTO DISPOSITION OF SIMILAR DISAGREEMENTS IN NUMBER OF
COUNTRIES IN PREVIOUS YEARS.

3. NSC/IG REQUESTED DIS-
CUSSION OF REVENUE ISSUE. THERE WAS CONSENSUS THAT GOG
PERFORMANCE ON TAXES DEPLORABLE, BUT THAT USG ABILITY TO
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INFLUENCE GOG WAS LIMITED. PRE-IG RECOGNIZED THAT AID

PROGRAM PER SE IS NOT EFFECTIVE LEVER FOR OBTAINING OVERALL FISCAL REFORM. ATTENTION DIRECTED TOWARD COUNTERPART QUESTION, AND DESIRABILITY OF SETTING VARIOUS MINIMUM COUNTERPART LEVELS CONSIDERED. PRE-IG EVENTUALLY AGREED THAT RECENT GOG RECORD ON COUNTERPART TO AID LOANS HAS BEEN

GOOD AND THAT SETTING FIXED PERCENTAGE FLOOR WOULD REMOVE FLEXIBILITY NEEDED TO GET BEST MIX OF RESOURCES IN GIVEN LOAN AND WOULD, IN EFFECT, MARK UPPER RATHER THAN LOWER LIMIT -- WHICH NOT INTENT. DECISION MEMORANDUM WILL REFLECT, HOWEVER, IG'S REAL CONCERN AT GOG PERFORMANCE IN REVENUE FIELD AND DIRECT MISSION TO MAINTAIN COUNTERPART AT LEVELS OF RECENT PAST, BARRING STRONG JUSTIFICATION FOR EXCEPTIONS IN SPECIFIC CASES. YOU WILL ALSO BE CALLED UPON TO KEEP USG CONCERN BEFORE GOG OFFICIALS. FINALLY, ARA/CEN WILL BE INSTRUCTED TO TAKE LEAD IN COORDINATING WASHINGTON EFFORTS TO ENSURE THAT OTHER IFI'S DO NOT LOSE SIGHT OF PROBLEM.

4. FYI: CEPCIES MEETING ON GUATEMALA, MAY 8, CONFIRMED EFFECTIVENESS OF CEN APPROACHES TO IBRD, IMF ON THIS QUESTION. CEPCIES MEETING WITH GOG WILL STRESS REVENUE ISSUE STRONGLY. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CASP
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE111837
Document Source: CORE
Document Unique ID: 00
Drafter: DCLARE:RMC
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750169-0147
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750553/aaaabvqs.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by BoyleJA>; APPROVED <06 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GUATEMALAN CASP: PRE-IG REVIEW
TAGS: PFOR, GT, US
To: GUATEMALA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006